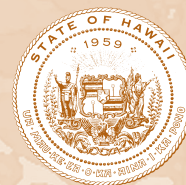


# Holomua



**Employees' Retirement System**  
of the State of Hawaii  
*Working to fulfill your retirement dreams...*



## 2014 Legislative Update

The second half of the 27th Legislature concluded on May 1, 2014.

Of the two Administrative proposals introduced this session, House Bill 2264, Relating to the Investment Authority of the Employees' Retirement System, was successfully passed by the Legislature and approved by Governor Abercrombie on April 23, 2014. This measure allows the Employees' Retirement System (ERS) to retain or dispose of real estate acquired by the ERS by foreclosure, in the enforcement of security, or in satisfaction of debts in the same manner as the System's other investments in interest in real property. It repeals the limitation on the holding period for these types of real estate transactions and gives the ERS Board the authority to prudently manage the ERS' investment portfolio. Designated as Act 35, this proposal was approved without amendments.

The other Administrative ERS proposal to change the formula for crediting unused sick leave toward retirement benefits for new employees hired after June 30, 2014 (H.B. 2263) crossed-over to the Senate but was not heard. In addition, the non-Administrative proposals supported by the Board: S.B. 1038 regarding the forfeiture of retirement benefits for members convicted of work-related felonies and S.B. 2916 requiring ERS-authorized employer reporting with penalties for non-compliance were deferred in conference committee.

On a congratulatory note, the Governor's appointment of Jerry Rauckhorst to the ERS Board of Trustees was unanimously confirmed by the Legislature for a term to expire on January 1, 2020. Mr. Rauckhorst was initially appointed to the Board on April 21, 2010. During his tenure, he served on the Investment Committee, Administrative and Legislative Committee, Compensation Review Committee, and Audit Committee (of which he is the Chair). As the Chief Executive Officer of Catholic Charities Hawaii, Mr. Rauckhorst brings his fiscal management skills to complement the Board's commitment to reducing the unfunded liability of the ERS and ensuring its sustainability. In addition, Mr. Rauckhorst helps guide the Audit Committee with his experience in organizational development, finance, and strategic planning. Mr. Rauckhorst's continued presence and contributions as an ERS Board Member will continue to positively impact ERS members and the State of Hawaii.

For information on these and other legislation during the 2014 session, please refer to the State Capitol website at [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov).

### ERS Board of Trustees:

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Colbert M. Matsumoto  
Jackie Ferguson-Miyamoto  
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Kalbert K. Young

*Executive Director*  
Wesley K. Machida

*Deputy Executive Director*  
Kanoë Margol

*Chief Investment Officer*

Vijoy (Paul) Chattergy

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## Wes' Corner



As we reach the mid-point of 2014 and the end of the fiscal year, we are pleased to report that the ERS fund continues to be strong and healthy. The investment returns during this past fiscal year have been beneficial for the System and have helped reduce our unfunded liability. We hope that this trend continues into the next fiscal year.

Related to the System's investments, Act 35/2014, which was passed by the legislature and approved by the governor during the just completed legislative session, will provide our Board with the authority to make more prudent and timely decisions regarding the ERS' real estate portfolio. Although there were some disappointments with proposals that did not pass this year, the ERS Board and staff appreciate the support we received from the membership, employers, employee organizations and the legislature. We will continue to introduce proposals that will promote greater sustainability and stability for our active members, retirees and beneficiaries.

As noted in this *Holomua*, we will be publishing a combined Active and Retiree newsletter in future editions. This will help with some of our expenses, and provide all our members with information that they may find applicable to friends and family on either side of the retirement application. Active members may benefit from retiree information as they look forward to retirement and retirees may be reminded of what their active member friends may need to know as they plan for retirement.

During the remainder of this year, we will continue to expand our membership information and education program. Brown bag sessions, employee organization gatherings, ERS website enhancements and possible 'Olelo programs are all on our agenda as we look toward the rest of 2014.

Take care and Aloha,

Wes Machida

## 2014 Brown Bag Sessions – Tips & Tools to Help You Plan Your Retirement

Our previous Brown Bag sessions have generated positive feedback from our membership who had many questions regarding their retirement plans.

The purpose of these sessions is to reach out specifically to new and mid-career Oahu members. We want to provide these members with information about their retirement plan now so they can plan and make wise retirement decisions in the future. Our Neighbor Island offices have their 2014 Informational Workshop schedule posted on our website.

Based on member feedback, the ERS will now conduct sessions by retirement plans with more basic information as well as the "Tips & Tools." These sessions will provide an opportunity for you to ask any questions you might have, as it appears that the main value of these sessions is during the question and answer period. Feel free to visit our website at <http://ers.ehawaii.gov> for more retirement information.

Below are our next scheduled sessions:

Dates	Retirement Plan	Time	Location
July 17	Hybrid	12:15 pm to 12:45 pm	ERS – City Financial Tower Suite 1200 (12th floor)
August 21	Noncontributory		
August 22	Contributory		
September 18	Hybrid		

To register, please call our office at 586-1735 at least one week prior to the scheduled workshop. Each session is limited to thirty-five members. On the day of the session, please report to the 14th floor in our building and staff will accompany you to the conference room. Feel free to bring your lunch, too. Limited parking is available in our building.

# Holomua 'Ekahi

"Holomua" means "to move forward, improvement, progress" and "ekahi" means "one."

In the future, the active and retiree *Holomua* newsletters will be combined into one issue. In this one newsletter you will see articles and information relevant to both retirees and active members, as we hope to address issues of interest to all.

One reason for consolidating newsletters is, of course, to save on publishing costs. In addition, we have had inquiries from members in the past about information appearing in the "other" newsletter that was not included in theirs. Our goal is to provide all of our members with interesting and important information that they would find relevant to themselves, their family and friends.

The largest age brackets of active ERS members fall between the ages of 45 and 60. In October 2013, we sent out information on our new retirement option factor tables for 2014, and sent individual letters to over 14,000 members who were eligible for retirement. There is a very fine line between the ages and interests of a large number of our active and retired population.

We look forward to your feedback as we continue to move forward as one. Please refer to the "Email: ERS" link on the home page of our website at <http://ers.ehawaii.gov>.

## 2014 Fall Filing Session Schedule

The ERS has scheduled counseling appointment times for Oahu members who are retiring from September 1 to December 31, 2014. Neighbor island members may contact our island representatives for an appointment.

At the appointments, staff will counsel members on their retirement benefits, provide general information on the retirement process, and assist members with the completion of their retirement applications and other required forms. We encourage our members to bring their spouses and/or significant others as well as their advisor, if applicable.

Here are the upcoming dates with appointments of 8 a.m., 9:15 a.m., 10:30 a.m., 1 p.m., and 2:15 p.m. at the ERS office (Oahu):

**July 11, 18, 25, 30**

**August 1, 6, 8, 13, 20, 22, 27, 29**

**September 3, 5, 10, 12, 17, 19, 26**

**October 2, 6, 7, 8, 9, 27, 28, 29, 30, 31**

**November 7, 12, 14, 19, 21, 24, 25, 26, 28**

**December 1**

Please contact our office at (808) 586-1735 to schedule an appointment. You may also visit our website for more information on the appointment schedule at <http://ers.ehawaii.gov> under "Event Calendar."

## Required Minimum Distribution from ERS at Age 70½

Required minimum distributions (RMDs) are minimum amounts that must be withdrawn from your retirement account once you reach age 70½. This is mandated by the Internal Revenue Service (IRS).

Each year the ERS identifies inactive accounts for vested and non-vested members who have reached age 70½ and who may be eligible for a pension benefit or lump-sum distribution. Inactive members would be those who have separated or terminated from service and are not currently receiving benefits from the ERS.

As a tax qualified retirement plan, the ERS is subject to the Internal Revenue Code's "Required Minimum Distribution" guidelines which requires that the member's pension or retirement contributions be distributed no later than his or her "required beginning date" (RBD). In accordance with IRS rules and Hawaii statutes, the RBD occurs on April 1 following the calendar year the member (1) reaches age 70½ or (2) terminated employment, whichever is **later**.

Here are two examples:

- (1) If Ms. Aloha attained age 70½ in 2012 and terminated in early 2014, her RBD would be April 1, 2015.
- (2) If Mr. Aloha terminated in 2014 and attained age 70½ in 2015, his RBD would be April 1, 2016.

Due to possible federal excise tax (penalty) on late distributions, the ERS is required to commence payment of the benefit even if the retirement or refund applications are not received. Any penalties (federal excise tax) incurred would be the responsibility of the member (not ERS), therefore, please make sure that the ERS always has your current contact information. This will minimize any delay in contacting you.

Please contact our office immediately if you are or will be in this situation so payments can be made on a timely basis.

# Report from Vijoy Chattergy, Chief Investment Officer

Aloha Kakou.

We welcomed three new Investment Officers in March, and want to use this quarter's article to introduce the new team. The three join with myself and two Investment Specialists, Andrew Chen and Ian Wetzel, who came on Board last October. Aaron Au joins as the Illiquid Markets Investment Officer (ILO) with responsibility for such investments such as private equity, real estate, and timber. Anthony Goo joins as the Liquid Markets Investment Officer (LIO) with oversight for assets such as equities, fixed income, and covered calls. Howard Hodel joins as the Risk Investment Officer (RIO) charged with assessing, monitoring, and improving risk management for the total portfolio. All three bring a wealth of experience in financial services and Hawaii business.

Prior to joining the ERS, Mr. Au worked at Central Pacific Bank for over 6 years as a Senior Trust Investments Officer and at First Hawaiian Bank in the Wealth Management Group. Mr. Au spent the majority of his career with the Kamehameha Schools Endowment where he held various management positions including Director of the Financial Assets Division. He was responsible for management and oversight of over \$3.5 billion in marketable securities, private equity, venture capital, inflation hedging assets, and hedge-funds and fund-of-hedge funds. Mr. Au earned a Bachelor of Business Administration degree in management from the University of Hawaii at Manoa and an M.B.A. in finance from Chaminade University.

Mr. Goo joins the ERS most immediately from the Bank of Hawaii, where he held various management positions including senior vice president in charge of fiduciary asset management and institutional services departments. Mr. Goo's industry experience includes serving as chief investment officer of Bishop Street Capital Management, senior vice president and manager of the Trust Portfolio Management Department of First Hawaiian Bank, and portfolio manager for the Asset & Liability Department of First Interstate Bank. A graduate of the University of Hawaii, Mr. Goo has a bachelor's degree in business administration and majored in accounting.

Prior to joining the ERS, Mr. Hodel provided financial, investment and energy consulting services to institutional clients in Hawaii and in other parts of the U.S. Previously, Mr. Hodel headed Bank of Hawaii's Asset Management Group, where he reorganized the unit from top to bottom. Mr. Hodel was also with Bank of America (BoFA) in Los Angeles and Chicago, where he established and headed the analytics and market risk unit for the bank's fiduciary businesses. At BoFA, Mr. Hodel previously worked in the Treasury Department as a market risk manager, planning manager, and mergers and acquisitions manager. Mr. Hodel began his career at British Petroleum (Amoco and Sohio), where he held various financial, economic, and planning positions. Mr. Hodel received an A.B. from Dartmouth College, as well as an M.B.A. in statistics and international business management from the Catholic University of Leuven, Belgium while on fellowship from the University of Chicago, Booth School of Business, where he earned an M.B.A. in finance and accounting. He also earned a CFA Charter designation in 2006.

Aaron, Tony, and Howard bring a depth and expertise to the ERS Investment Office that we have never had. I am excited to work with them as they make lasting contributions to the efficiency and effectiveness of our investment strategy and program. Wesley Machida, Executive Director, expressed that "with the hiring of the investment officers, the ERS is positioned to continue on a path toward best practices in fulfilling our fiduciary responsibilities to manage the investment assets prudently and with a higher standard of care that should ensure the sustainability of the pension plan."



# News from the EUTF

## News from the Hawaii Employer-Union Health Benefits Trust Fund (EUTF)

- Open enrollment (OE) for active employees ended May 2, 2014. Changes made during OE will be effective July 1, 2014 and you should receive your new membership cards by July 1, 2014, if your enrollment form was submitted timely. If you do not receive your new membership cards by July 1, 2014, and you need to see a doctor or a dentist or fill a prescription before you receive your new membership cards, send the EUTF an email at [eutf@hawaii.gov](mailto:eutf@hawaii.gov). In the email subject line type: "URGENT CONFIRMATION OF COVERAGE NEEDED". The EUTF will review these emails as a priority and take steps to rush your enrollment. Please visit our website for more information at [www.eutf.hawaii.gov](http://www.eutf.hawaii.gov).

### Some helpful information for employees who are considering retirement:

- Retiree plan benefits are not identical to Active Employee plan benefits. For example, as an active employee you have a \$2,000 plan year maximum and a \$1,000 lifetime maximum for orthodontic benefits in your dental plan. As a retiree, you have a \$1,000 plan year maximum and no orthodontic benefits in your dental plan. Also, as an active employee you are covered for preventative screenings, such as colonoscopies and physical exams. However, EUTF non-Medicare retirees are not covered for preventative colonoscopy screenings and physical exams (EUTF Medicare retirees have their preventative colonoscopy screenings and physical exams covered under Medicare). Colonoscopy procedures are covered for both EUTF non-Medicare and Medicare retirees when there is a positive diagnosis only. In addition, chiropractic coverage is not included with EUTF Retiree medical plans (HSTA VB retiree plans include chiropractic coverage). And, provisions of the Patient Protection Affordable Care Act (aka ACA or Obama Care) do not apply to retiree plans. i.e., medical and prescription coverage for children through age 26.

The Retiree Reference Guide is posted on the EUTF website at [www.eutf.hawaii.gov](http://www.eutf.hawaii.gov), and provides valuable information on retiree plans, premiums and eligibility, and Medicare Part B enrollment requirements for retirees.

**Below are some common qualifying events that allow you to make enrollment changes during the plan year (for a complete list, visit the EUTF website at [eutf.hawaii.gov](http://eutf.hawaii.gov)). Be sure to familiarize yourself with the timelines and required documents.**

### Some Common Qualifying Events That Allow Enrollment Changes for Active Employees

EVENT	WHEN EC-1/EC-1H MUST BE SUBMITTED TO EMPLOYER (Personnel Office)	DOCUMENTATION REQUIRED TO BE ATTACHED TO EC-1/EC-1H	EFFECTIVE DATE	CAN I CHANGE PLANS (such as HMSA to Kaiser or HMSA 90/10 to 80/20)?
<b>Acquisition of Coverage</b> (employee gets coverage from another plan and wishes to cancel EUTF plans)	Within 30 days from effective date of gaining coverage elsewhere	None	If coverage is gained 1st of month, EUTF coverage ends day before 1st. If coverage is gained 16th of month, EUTF coverage ends 15th	N/A
<b>Birth</b> (employee wishes to add newborn to EUTF plans)	Within 30 days from date of birth	Birth certificate only if child has a different last name from employee. Social Security Number within 60 days of date of birth	Employee can choose: birth date, beginning of next pay period after birth date, or 2nd pay period after birth date	No
<b>Loss of Coverage</b> (Dependent lost coverage from a non-EUTF plan, wishes to enroll in EUTF plans, and the employee is currently enrolled in an EUTF plan)	Within 30 days from loss of other coverage	Loss of coverage letter from previous employer carrier detailing type of coverages lost (i.e., medical, dental, drug, vision), date of loss of coverage, and names of any covered dependents	Day following loss of coverage from other plan	N/A

**Important:** The EUTF is a separate organization from the ERS. If you have any questions about information in this article, please **DO NOT** contact ERS. Please contact the EUTF directly at 586-7390 or toll-free at 1-800-295-0089, or email the EUTF at [eutf@hawaii.gov](mailto:eutf@hawaii.gov). You can also visit our website for more information @ [www.eutf.hawaii.gov](http://www.eutf.hawaii.gov).



## Employees' Retirement System

of the State of Hawaii

*Working to fulfill your retirement dreams...*

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Scan the QR code with your smartphone  
to directly access the ERS website.

# Holomua

## Active Members

*April/May/June 2014*

## Ask ERS

### Answers to some frequently asked questions:

**Q:** If I file an application for service connected disability retirement, do I need to file a workers' compensation claim?

**A:** Yes. If you are injured on the job you must report the industrial injury to your employer. When you file a service connected disability retirement application, one of the requirements is that you file a workers' compensation claim.

**Q:** Am I able to file my refund application now since I plan to terminate my position within the next 3 months and relocate to the mainland?

**A:** No. The ERS would not be able to process your refund application until after you terminate your position. The "Close of Business" (COB) date is required from your department before the refund is processed. Also, please be aware that retirement contributions are credited to your participant account after payroll files are received and audited by the ERS, which may be several months after your last salary is paid. We prefer to process your refund after all of your contributions are received.

**Q:** How do I find out what retirement plan I belong to?

**A:** You can visit our website at <http://ers.ehawaii.gov> and log in to Self Service to retrieve your retirement information which includes your retirement plan, years of service, and account balance (retirement contributions and interest), if applicable. Also, you may call our office at (808) 586-1735.

## How to Contact Us

**Monday-Friday 7:45 a.m. - 4:30 p.m.**  
(except State holidays)

**Oahu** Office, Phone: (808) 586-1735

**Kauai** Office, Phone: (808) 274-3010

**Hawaii** Office, Phone: (808) 974-4077

**Maui** Office, Phone: (808) 984-8181

**Molokai & Lanai**, toll free to Oahu:  
1-800-468-4644

**Continental U.S.** toll free to Oahu:  
1-888-659-0708